

2006 Annual Report



State of New Jersey
Casino Control Commission

2006 Annual Report

The
2006
Annual
Report of the New
Jersey Casino
Control
Commission
is submitted to the
Governor and
New Jersey
Legislature.



Jon S. Corzine
Governor

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Message from the Chair



Linda M. Kassachian

Our task at the Casino Control Commission is to create a regulatory environment in which the casino industry can thrive while being held to the highest standards for integrity. If we do our job right, the industry will grow, new players will want to invest in Atlantic City and the public policy goals spelled out in the Casino Control Act will be advanced.

The intended result is currently happening in Atlantic City. Atlantic City is entering a new period of potentially enormous growth and expansion that will benefit the entire state in the form of additional jobs, new investment and increased tax revenue. As we go into 2007, more than \$5 billion in casino expansions and new casino projects are either under construction or proposed.

The Borgata Casino Hotel and Spa is building an 800-room hotel tower to be called the Water Club. Nearby, Harrah's Atlantic City is building a 960-room tower, which will be the tallest building in Atlantic City. Along the Boardwalk, the Trump Taj Mahal Casino Resort is building a new tower with another 800 rooms. When those rooms are completed, Atlantic City's casinos will have more than 17,000 rooms.

In addition, Pinnacle Entertainment purchased the Sands Hotel Casino along with the former Traymore Hotel property and other adjacent parcels in 2006 and closed its doors. While this meant the loss of about 2,000 jobs and a reduction in the number of rooms, those short term challenges will be more than offset several years from now when Pinnacle replaces the Sands with a much larger casino hotel complex that is expected to have more than 1,500 rooms and cost in excess of \$1.5 billion. In addition, the investment firm of Morgan Stanley in conjunction with Revel Entertainment plans a massive complex on land along the Boardwalk just above the Showboat Hotel Casino. The city recently increased the maximum building height in that area to 800 feet.

Atlantic City also is entering a new phase in which it faces competition for the gambling dollar in two of its larger feeder markets, the New York and Philadelphia metropolitan areas. Two race tracks outside of Philadelphia and the Yonkers Raceway just north of New York City started offering slot machines near the end of 2006. The impact from that competition just across our borders has

Message from the Chair (continued)



already been felt in the first several months of 2007. While the impact could result in a slight downturn, we are confident that the expansions and new projects being developed will leave the industry well-positioned to compete against any other gaming jurisdiction.

One reason for the interest in investing in Atlantic City's gaming industry right now is that the market is very healthy. Atlantic City's casino industry had a very strong year in 2006. Revenues continued their unbroken record of year over year increases and gross operating profits, which have increased in 10 of the last 11 years, reached record high levels as well. Another reason is because of the stable regulatory environment that we at the Casino Control Commission work to maintain. The commission works closely with the New Jersey Division of Gaming Enforcement and with the gaming industry to make sure the regulations make sense.

There were also significant strides in improving our own operations in 2006. For example, the commission's web site was expanded to provide more information to casinos, employees, vendors and the general public. The commission also completed a Business Continuity Plan that will minimize any operational disruptions in case of any unforeseen interruption. The Commission has moved forward with a Document Management System which will computerize the retention and retrieval of commission documents.

The commission has also introduced electronic employee license renewal forms that streamline the renewal process for thousands of workers.

One other major highlight of 2006 was the result of something one that no one wanted to see happen, but which allowed us to show how professional and dedicated our staff is. In July, the State Legislature failed to pass an appropriations bill before the July 1 deadline which required the shutdown of all non-essential services, including those of the Casino Control Commission. That required us to suspend the certificates of operation for all casinos and temporarily cease gaming operations on July 5. When Gov. Corzine lifted the state of emergency and called for the restoration of state services shortly after 6 a.m. on Saturday, July 8, a team of commission inspectors immediately returned to work and the gaming halls were able to reopen within an hour of the Governor's order.

**CASINO
CONTROL
COMMISSIONERS**



LINDA M. KASSEKERT
Chair



MICHAEL A. FEDORKO
Vice-Chair



RALPH G. FRULIO
Commissioner



WILLIAM T. SOMMELING
Commissioner



MICHAEL C. EPPS
Commissioner

DIRECTORS

ROSEMARY GRAZIANO
Chief of Staff

LINDA BROOKS
Division of Administration

NOREEN IANNUZZI
Division of Financial Evaluation

DIANNA FAUNTLEROY
General Counsel

JAMES FEHON
Division of Compliance

CHRISTOPHER D. STORCELLA
Division of Licensing

MARVIN ASKINS
Affirmative Action Officer

LINDA M. KASSEKERT
Chair

Linda M. Kassekert was appointed by Gov. James E. McGreevey in November 2002 to chair the New Jersey Casino Control Commission. Prior to joining the Commission, Chair Kassekert was the associate director of government relations for the New Jersey Education Association and also has 12 years of experience in various positions in state and county government. She spent a year as an assistant county counsel in Camden County from 1994 to 1995. She represented the county in the state courts in litigation dealing with employment law, contracts and other governmental matters. Between 1990 and 1994, Chair Kassekert was the deputy commissioner in the New Jersey Department of Personnel in Trenton and served for a period as acting commissioner. She holds a law degree from Widener University School of Law and is admitted to practice in New Jersey and Pennsylvania. In addition, she received a masters degree in public policy from Rutgers University and a bachelor of science degree in political science from Gettysburg College. Chair Kassekert serves as the Commission's representative and member of the Casino Reinvestment Development Authority. She also holds board memberships on the Penn Jersey Region American Red Cross and Cooper Hospital Health Systems. Chair Kassekert is the first woman to be named chair of the Commission. Her term expires in 2007.

MICHAEL A. FEDORKO
Vice-Chair

Michael A. Fedorko was appointed to the New Jersey Casino Control Commission by Governor Christine Todd Whitman in November 1999. Commissioner Fedorko came to the Commission after more than 30 years in the New Jersey State Police, retiring as the Acting Superintendent. Commissioner Fedorko is a veteran of the United States Marine Corps having served in Vietnam. He is featured in the book "Above and Beyond" about Marines who have had noteworthy civilian careers. He completed his undergraduate studies at Trenton State College earning a bachelor of science degree in Criminal Justice. He earned a masters degree in Governmental Administration from the University of Pennsylvania and attended the Management Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard University. He serves on the board of the Marine Corps Law Enforcement Foundation, the McGuire Memorial Foundation, the International Association of Chiefs of Police, Atlantic City Regional Chamber of Commerce, The First Tee of Greater Atlantic City, the Board of Governors of the Bacharach Institute for Rehabilitation, the Employer Support for Guard and Reserves (ESGR) and is the New Jersey State Liaison to the National Museum of the Marine Corps. He has served on the Casino Reinvestment Development Authority. In May 2004, Commissioner Fedorko was re-nominated for another five year term by Gov. James E. McGreevey.

RALPH G. FRULIO
Commissioner

Ralph G. Frulio was appointed to the New Jersey Casino Control Commission by Gov. James E. McGreevey and was sworn into office in May 2003. Commissioner Frulio served the remaining months of former Commissioner Diane M. Legreide's unexpired term. He became the first former Commission employee to rise through the ranks from an inspector in 1978 to become a commissioner in 2003. Prior to his employment with the Commission, Commissioner Frulio worked for the Federal Bureau of Investigation as part of the Anti-Racketeering Unit in New York City. He holds a masters degree in Public Administration from the University of Central Michigan and a bachelors degree in Political Science from Richard Stockton State College. Commissioner Frulio is also a veteran of the United States Air Force. In January 2004, he was sworn in as Commissioner for his own five-year term. His term expires in 2008.

WILLIAM T. SOMMELING
Commissioner

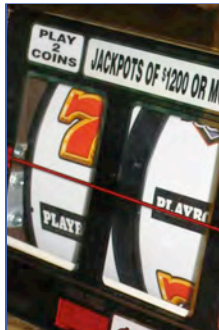
William T. Sommeling was appointed to the New Jersey Casino Control Commission by Gov. Christine Todd Whitman in November 2000. Prior to joining the Commission, he served as undersheriff in Ocean County for 11 years. Commissioner Sommeling has more than 35 years of experience in law enforcement, including several positions in casino surveillance departments within the gaming industry. Active in politics for years, he held many positions in local and county government. He completed his undergraduate studies at Ocean County College and Trenton State College earning a bachelors of science degree in Criminal Justice. He also earned a masters degree in Administration from Rider University and attended Cornell University's School of Hotel Administration. Commissioner Sommeling is active in a number of professional and civic organizations, including the FBI National Academy Associates, International Association of Chiefs of Police and the Emerald Society of New Jersey. Commissioner Sommeling served as vice chair during 2004. He was reappointed by Gov. Richard Codey in 2005. His term expires in 2010.

MICHAEL C. EPPS
Commissioner

Michael C. Epps was appointed to the New Jersey Casino Control Commission by Acting Gov. Donald T. DiFrancesco and took office in January 2002. In December 2006 Gov. Jon S. Corzine reappointed Commissioner Epps to a second 5-year term. Prior to his appointment, Commissioner Epps, an attorney, served as general counsel for the Atlantic City Board of Education. He also practiced at two local law firms, Horn, Goldberg, Gorney, Plackter, Weiss & Perskie in Atlantic City and Savio, Reynolds & Drake in Absecon.

The first Atlantic City native to serve on the Commission, Commissioner Epps graduated from Atlantic City High School. He earned a bachelor of science degree in Broadcast Journalism from the University of Maryland and a Juris Doctorate from Howard University School of Law. He currently serves as commissioner on the Atlantic County Utilities Authority, is a member of the Advisory Board of the First Tee of Greater Atlantic City and serves on the Board of Directors of Atlantic City Special Improvement District. Commissioner Epps is an active member in the Omega Psi Phi Fraternity, Inc. His term expires in 2011.

Operations of the Commission



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Chief of Staff's Office

The Chief of Staff reports directly to the Chair. The primary responsibility of the Chief of Staff is to ensure that the Commission functions effectively. The Chief of Staff directs strategic planning, agency-wide policy development and the implementation of plans and policies. The Commission's budget process and all administrative matters for the division directors are also handled by this office.

The Public Information Officer reports directly to the Chief of Staff and is responsible for media relations for the Commission. Detailed information on the regulatory system, the casino industry and the impact of casino gaming on the City of Atlantic City and the state is provided through the Public Information Officer.

The Community and Employee Events Unit also reports to the Chief of Staff. This unit coordinates employee events, prepares publications for internal and external distribution and serves as liaison between the Commission and various community

The Chief of Staff Year in Review:

- ▶ Expanded and redesigned the Commission's website to provide immediate release of the monthly and quarterly casino industry financial reports, updated licensing, financial and compliance division forms and reports;
- ▶ Managed a web-based archive of financial reports and historical statistics dating back to the early years of the Commission for electronic access and distribution;
- ▶ Assisted in the preparation of various speeches and presentations for Commissioners to deliver to college classes, community groups, conferences, visiting officials and regulators from other jurisdictions and casino industry investors;
- ▶ Handled more than 2,000 inquiries from the news media, public officials, stock analysts, investment bankers, the general public and others about a wide range of topics dealing with the Commission, gaming and Atlantic City;
- ▶ Responded to requests filed pursuant to the Open Public Records Act for copies of public documents;
- ▶ Coordinated media attending significant public meetings;
- ▶ Coordinated opportunities for people to sign up for the Self-Exclusion Program at off-site locations and continued distribution of information brochures about the program at casinos, conferences and treatment facilities;
- ▶ Organized two American Red Cross Blood Drives, Family Night at the Atlantic City Surf, Employee Programs and Quality of Life Fair.

Office of the General Counsel

The Office of the General Counsel is composed of four units: the Licensing Unit, the Compliance Unit and the Casino Licensing and Regulatory Affairs Unit, which now also includes the Administrative Practice Unit.

The Licensing Unit advises the Commission on the majority of the agency's contested cases.

The Compliance Unit is responsible for providing legal advice to the Commission and its Compliance Division on matters relating to accounting and internal controls, gaming equipment, the rules of the games, and casino floor expansions.

The Casino Licensing and Regulatory Affairs Unit handles all casino licensing and renewals, and it is the unit primarily responsible for regulatory review.

The Administrative Practice Unit, recently transferred from the Division of Administration to the General Counsel's Office, coordinates preparation of the public meeting agenda, notices and minutes, and access to public records.

The Office of the General Counsel Year in Review:

- ▶ Opened 927 new contested license and casino violations cases;
- ▶ Managed an average of 400 contested cases per month, including scheduling 13 hearings and closing 963 cases;
- ▶ Assisted Commission during the first casino license renewal for Borgata and four-year license renewals for Bally's, Hilton, Caesars, Resorts, and Sands;
- ▶ Authorized the testing of nine new table games;
- ▶ Drafted numerous regulations authorizing casino licensees to implement new technologies and marketing strategies;
- ▶ Addressed 447 patron complaints and 1,582 incident reports;
- ▶ Assisted Commission during review and approval of a \$1.6 billion credit facility that Boyd Gaming used to acquire Coast Casinos;
- ▶ Assisted Commission during Sands' debt restructuring;
- ▶ Assisted Commission during review and approval of Resorts' acquisition of contiguous land parcels from Kerzner North America;
- ▶ Reviewed proposed statutory amendments to Casino Control Act and implemented regulatory amendments consistent with adopted amendments which included gradual phase out of the state tax on complimentary items and the elimination of joint and several liability as it relates to operation and administration of Multi-Casino Progressive Slots;
- ▶ Continued to maintain the official records of the Commission, and responded to approximately 75 requests for information and/or documents under the Freedom of Information Act and the Open Public Records Act.

Division of Administration

The Division of Administration encompasses four units: the Administrative Operations Unit, the Budget and Fiscal Office, the Human Resources Unit, and the Information Technology Unit.

The Administrative Operations Unit is the organizational hub of the Agency, and manages incoming and outgoing mail, transportation, central files, document receipt and processing, building security, and all facilities operations.

The Budget and Fiscal Office oversees the Commission's annual budget, purchasing, and Agency fiscal operations services.

The Human Resources Unit is responsible for all personnel and employee services, including recruitment, time-keeping, employee benefits, compensation and classification, and for the maintenance and storage of personnel records. It also ensures agency compliance with all Department of Personnel requirements and directives.

The Information Technology Unit delivers Agency-wide technology services, including computer infrastructures, telecommunications, and eGovernment initiatives.

The Division of Administration Year in Review:

- ▶ Completed the Agency Business Continuity Plan, including critical contact and emergency procedures;
- ▶ Provided specialized training to Agency personnel, including AED/CPR, job-specific education, and benefits and pre-retirement training seminars;
- ▶ Completed the majority of tasks associated with the Document Management System project, providing document storage, approval, and tracking version control for the General Counsel's Office;
- ▶ Completed hardware and software upgrades, including the Lotus Notes messaging server hardware upgrade and the Time & Expense software upgrade;
- ▶ Created a program template on the AS/400 for inputting, storing and reporting quarterly and monthly financial information;
- ▶ Implemented all rate changes to the Revenue Invoicing System as per regulatory changes;
- ▶ Created a new system to transfer delinquent balances from the accounts receivable system to Treasury as per State requirement;
- ▶ Implemented the new Travel Policies Bulletin Board within the CCC intranet;
- ▶ Procured the new card access system and additional safety enhancements for the Arcade Building;
- ▶ Pursuant to EO11, Energy Efficiency and Savings, implemented new guidelines for procuring recycled products;
- ▶ Developed the new financial reporting format and the new divisional budget request process;
- ▶ Began processing certain personnel actions through the DOP's new electronic Classification Support System;
- ▶ Completed final testing of the Human Resources Data System, and began updating electronic employee information files;
- ▶ Made significant progress in creating comprehensive SOP (standard operating procedures) documents for all Administration Division units.

Division of Compliance

The Division of Compliance consists of a Director's Office and two operating units – the Casino Operations Unit and the Inspection Unit. The Division of Compliance is the largest division in the Commission, comprising over half of the agency's work force.

The Casino Operations Unit is responsible for assuring that each casino licensee establishes adequate internal controls over gaming operations and is in compliance with pertinent sections of the Casino Control Act and related regulations. The unit also reviews submissions seeking approval of new gaming equipment, new games and new rule options on existing games.

The Inspection Unit continues to be the most visible unit within the Commission; Commission Inspectors are present in the casinos 24 hours a day, 7 days a week. The Principal Inspectors and Inspectors assigned to each casino ensure the integrity of casino operations by monitoring gaming activities and certifying all gaming revenue. In addition they receive complaints from the public related to the conduct of gaming and simulcast wagering operations.

The Division of Compliance Year in Review:

- ▶ Reviewed more than 2,000 internal control submissions;
- ▶ Participated in the review and approval of internal controls for the Pinnacle's purchase and subsequent closing of the Sands;
- ▶ Reviewed more than 45 poker gaming tournaments, many of them nationally televised, in conjunction with the continued popularity of this game;
- ▶ Participated in the approval of several new multilevel in-house progressive systems and the implementation of several new games and multi-casino linked progressive systems;
- ▶ Reviewed more than 100 submissions from the four Atlantic City casinos owned by Harrah's Entertainment in order to standardize its computer systems and to implement a major marketing program;
- ▶ Participated with the industry and the Division of Gaming Enforcement (DGE) in a review of the Commission's regulations and the streamlining of internal controls with regard to the use of new technologies;
- ▶ Continued to prepare for the use of server-based gaming systems and began an analysis of the issues related to the use of computerized table games;
- ▶ Participated in the review of internal controls which permitted several casinos to connect their casino computer systems to facilities outside their casino hotels; and
- ▶ Addressed various information technology issues and problems raised by the casino industry's increasing reliance upon its computer systems.
- ▶ The Inspection Unit assisted in the implementation of various casino floor expansions during the year. For example, the Borgata completed the first phase of its casino floor expansion by adding a new Poker Room and Simulcast area, as well as various non-gaming amenities, including several new restaurants. In addition, the Inspection Unit was involved in several major changes to the ticketing systems (cashless slot machine systems) currently in use in the casinos.

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Division of Compliance



The Division of Compliance Year in Review CONTINUED:

▶ The Inspection Unit played a critical role in overseeing the closure of the casinos during the State budget crisis in July 2006. This suspension of all gaming operations in Atlantic City was the first unscheduled cessation of casino gaming since the opening of casinos in May 1978. The Principal Inspectors and Unit Managers attended several meetings with casino executives prior to the State shut down to develop the procedures that were eventually utilized to ensure a smooth closing and reopening of the casinos. All casino gaming operations were suspended at 8:00 a.m. on Wednesday, July 5, 2006, and restarted without incident on Saturday, July 8, 2006, when the State budget crisis ended. The quick response and return to work of all Principal Inspectors and Inspectors at the end of the budget crisis enabled the prompt reopening of the casinos.

▶ On November 11, 2006, the Sands Casino Hotel officially closed its doors after 26 years of operation. The Inspection Unit was responsible for monitoring the closing of all in-house progressive slot machines and gaming tables, the collection of casino revenues, and the observance of all required procedures related to the closing. On November 17, 2006, the Sands Casino Hotel surrendered its Certificate of Operation and Pinnacle Entertainment became the new owner of the Sands' casino hotel facility. The Inspection Unit continues to monitor the storage of all gaming equipment and slot machines held in the building until removed from the property by the new owners.

▶ During 2006, the Inspection Unit accepted 287 complaints from gaming patrons and reported a total of 1,423 incidents that were resolved by casino management.

▶ Principal Inspectors approved 1,755 gaming related submissions and petitions during the year, including 234 amended certificates of operation.

▶ There were 104,439 Activity Reports generated by the Principal Inspectors which documented activities involving casino personnel, the public and the Division of Gaming Enforcement.

Division of Financial Evaluation

The Division of Financial Evaluation provides expert advice and consultation to the Commissioners on all matters of a financial/economic nature, collects all taxes and fees required by the Casino Control Act, and through its team of auditors, ensures the sufficiency of various tax payments to the Casino Revenue Fund.

The division consists of three units; the Audit Unit, the Financial Evaluation Unit and the Revenue Unit. Working as a team, these three units provide oversight to over \$500 million in casino related revenues to the State of New Jersey.

The Division of Financial Evaluation Year in Review:

- ▶ Collected \$396 million in Gross Revenue Tax used to fund programs that benefit the aged and disabled residents of the state; \$87 million in casino-related taxes that were deposited to the Casino Revenue Fund; \$72 million in licensing fees paid by the industry to fund the operations of the Casino Control Commission and Division of Gaming Enforcement; and \$562,000 in Commission imposed fines that were deposited to the General Fund to provide funding for the Council on Compulsive Gambling;
- ▶ Implemented a new collection database to more effectively manage delinquent receivables due the Casino Control and Casino Revenue Funds, which will help minimize bad debt expense;
- ▶ Completed tax examinations to certify gross revenue, including adapting the audit program to take into account revised regulations and internal control procedures;
- ▶ Incorporated tax and penalty assessments on underpayments of the Investment Alternative Tax in the gross revenue audit reports;
- ▶ Reviewed 72 notices of document destruction and approved four petitions for off-site storage facilities;
- ▶ Completed the required agency annual internal control review resulting in a clean audit report to OMB;
- ▶ Undertook full financial stability reviews for five licensees and their corporate parent companies at the midpoint of their four-year casino license terms in accordance with existing license conditions;
- ▶ Evaluated the financial suitability of the parent company of AC Hilton and a subsequent refinancing of that entity's long-term debt;
- ▶ Analyzed Wimar Tahoe's acquisition of Aztar and Borgata's debt refinancing;
- ▶ Assessed the financial reporting issues surrounding the closing of Sands and subsequent sale to Pinnacle Entertainment;
- ▶ Implemented electronic filing of the Quarterly Report and Supplemental Quarterly Filings.
- ▶ Used a new database to compile the Monthly and Quarterly Press Release statistics, which has reduced the time needed to produce the statistics by roughly 50% on average.
- ▶ Worked with the Public Information Office to create and maintain the financial pages of the Commission's web site.

Division of Licensing

The Division of Licensing, which consists of four operating units, manages all aspects of casino employee and business enterprise licensing and casino hotel alcoholic beverage licensing.

The Employee License Unit is responsible for the licensing and registration of casino employees.

The Enterprise License Unit oversees the licensing of gaming and non-gaming related casino service industries and junket enterprises and the registration of vendors and labor organizations.

The Support Services Unit provides application support services to Division of Licensing staff and is the main repository for all active license application files processed by the Division of Licensing.

The Director's Office administers the division's daily operations and all aspects of casino hotel alcoholic beverage licensing.

The Division of Licensing Year in Review:

- ▶ Oversaw the employment of approximately 42,600 people in Atlantic City casinos hotels;
- ▶ Processed more than 9,300 applications for initial and renewed employee licenses and registrations and issued over 11,000 licenses and registrations;
- ▶ Authorized the service of alcoholic beverages by casino hotel alcoholic beverage licensees at 11 beach bars and Boardwalk locations as well as at 8 other special events during the summer;
- ▶ Issued casino hotel alcoholic beverage licenses to 6 new Atlantic City restaurants in connection with the opening of the Promenade Level of The Pier at Caesars;
- ▶ Maintained approximately 49,000 active casino employee and business enterprise license application files;
- ▶ Addressed more than 7,300 revisions to Atlantic City casino licensees' jobs compendia and tables of organization;
- ▶ Processed more than 150 applications filed by individuals seeking voluntary exclusion from casino gambling;
- ▶ Streamlined the format of written responses to the public and other gaming jurisdictions regarding the status of casino service industry licensees and registrants;
- ▶ Implemented a regulatory amendment increasing the application fee for gaming related casino service industry licenses; and
- ▶ Expanded the Commission's web site to include downloadable versions of casino employee and casino service industry license applications and a searchable listing of companies permitted to transact business with New Jersey casino licensees.

State of New Jersey
Public Service Recognition Award
2006-2007
Longevity Award

John M. Williams – 27 years of State Service

Affirmative Action Officer

The role of the Affirmative Action Officer is to ensure that the commission adheres to all Federal and State laws and equal employment opportunity and affirmative action policies for the protection of all employees at the commission. Equal Employment Orientation sessions are provided to all new employees to make them aware of the State and commission policies and procedures. All employees are also required to undertake sexual harassment training and pass a test on this important subject as part of this orientation.

The Affirmative Action Officer's Year in Review:

Monitored employment and promotional activity at the Commission including the hiring and EEO/AA policy orientation of 10 new employees of whom three (30%) were females and four (40%) were minority and the promotions of 7 employees of whom 3(43%) were female and 1 (14%) were minority; and

Participated in 7 career fairs throughout New Jersey, speaking to approximately 465 individuals who are interested in considering careers with the Commission.

▶ John started his career with the Casino Control Commission's Inspection Unit in June of 1979. He was promoted to the position of Senior Inspector in 1980 and subsequently promoted to Supervising Inspector in 2001, a position which he maintains today. John has developed extensive and broad-based experience in the Inspection Unit in evaluating casino operations while employed in responsible supervisory positions. He is adept in identifying problems and utilizing personnel to develop viable solutions to those problems. His many years of experience and job knowledge continue to be an asset to the State of New Jersey.

Sharon Hand – 27 years of State Service

▶ Sharon began her State service in June 1979 with the Department of Transportation. She subsequently moved to the Treasury Department's Division of Taxation and finally transferred to the Casino Control Commission in February 1980. Sharon's entire 27-year career with the Commission has been with the License Division's Enterprise License Unit. This Unit oversees the registration and licensing of the more than 9,000 companies and individuals that want to do business with New Jersey casino hotels, including those that provide gaming-related goods or services. In her early years with the Commission, Sharon worked in every section of the Enterprise License Unit, developing a comprehensive understanding of its operations and advancing through the ranks, until reaching her current position as Unit Manager in 1991. The scope of the regulatory oversight exercised by the Enterprise License Unit over companies doing business with the New Jersey casino industry, and the diversity of those companies, which range from small "mom and pop" shops to major multi-national corporations, requiring the Unit's staff to interpret applicable licensing regulations, review SEC filings and financial statements, and help companies navigate their way through the licensing process. Sharon has often said that the diverse nature of the Unit's responsibilities has given her an opportunity, perhaps not commonplace in State service, to continue to explore interesting and sometimes novel issues throughout her career.

William Perry – 27 years of State Service

▶ Bill was hired as an Inspector with the Casino Control Commission in June of 1979. In 1980, he was promoted to the position of Senior Inspector and in 1982 to the position of Principal Inspector. He remains in that capacity to this day. Bill was the Principal Inspector assigned for the opening of the Trump Plaza and the Trump Taj Mahal casinos and over the years has been assigned to almost all eleven casinos. For the last three years, Bill along with Principal Inspector Bruce Ladd has served as the Inspection Units Training Coordinator. Bill has been married for 22 years to his wife Joyce. They have two children, Lauren and Kevin. Lauren is a sophomore at La Salle University and a member of the tennis team. Kevin is a junior at Mainland High School and a member of the crew team.

Commission Statistics



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**THE NEW JERSEY CASINO INDUSTRY
GROSS REVENUE STATISTICS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(\$ IN THOUSANDS)**

<u>Casino Hotel</u>	<u>Casino Win</u>	<u>Daily Average Casino Win</u>	<u>Recovery of Uncollectibles</u>	<u>Gross Revenue</u>	<u>Tax</u>	<u>Market Share of Casino Win</u>
<i>AC Hilton</i>						
2006	\$ 330,083	\$ 904	\$ -	\$ 330,083	\$ 26,407	6.3%
2005	\$ 289,416	\$ 793	\$ -	\$ 289,416	\$ 23,153	5.8%
<i>Bally's Atlantic City</i>						
2006	677,290	1,856	-	677,290	54,183	13.0%
2005	645,634	1,769	-	645,634	51,651	12.9%
<i>Borgata</i>						
2006	739,287	2,025	-	739,287	59,143	14.2%
2005	704,358	1,930	-	704,358	56,349	14.0%
<i>Caesars</i>						
2006	555,243	1,521	(86)	555,329	44,426	10.7%
2005	523,544	1,434	-	523,544	41,883	10.4%
<i>Harrah's Marina</i>						
2006	508,980	1,394	-	508,980	40,718	9.8%
2005	476,239	1,305	-	476,239	38,099	9.5%
<i>Resorts</i>						
2006	282,896	775	(9)	282,905	22,632	5.4%
2005	271,984	745	-	271,984	21,759	5.4%
<i>Sands (a)</i>						
2006	147,976	471	(1,045)	149,021	11,922	2.8%
2005	176,647	484	-	176,647	14,132	3.5%
<i>Showboat</i>						
2006	429,514	1,177	(20)	429,534	34,363	8.2%
2005	414,380	1,135	-	414,380	33,150	8.3%
<i>Tropicana</i>						
2006	459,091	1,258	-	459,091	36,727	8.8%
2005	441,934	1,211	-	441,934	35,355	8.8%
<i>Trump Marina</i>						
2006	257,166	705	(7)	257,173	20,574	4.9%
2005	250,661	687	-	250,661	20,053	5.0%
<i>Trump Plaza</i>						
2006	300,855	824	(62)	300,917	24,074	5.8%
2005	303,548	832	-	303,548	24,284	6.0%
<i>Trump Taj Mahal</i>						
2006	529,233	1,450	(256)	529,489	42,359	10.1%
2005	519,932	1,424	-	519,932	41,594	10.4%
TOTALS						
2006	\$ 5,217,614	\$ 14,295	\$ (1,485)	\$ 5,219,099	\$ 417,528	100.0%
2005	\$ 5,018,277	\$ 13,749	\$ -	\$ 5,018,277	\$ 401,462	100.0%

(a) Sands ceased operations on November 10, 2006. Daily Average Casino Win adjusted for closing date.

**THE NEW JERSEY CASINO INDUSTRY
TOTAL GAMING WIN
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(\$ IN THOUSANDS)**

	2006	2005	Growth (Decline)	
			\$	%
<i>Table & Other Games</i>				
Blackjack	\$ 453,871	\$ 441,306	12,565	2.8
Craps	196,549	188,163	8,386	4.5
Roulette	171,624	168,284	3,340	2.0
Baccarat	50,091	62,152	(12,061)	(19.4)
Poker	77,316	67,016	10,300	15.4
Other Games (a)	464,547	417,396	47,151	11.3
Subtotal	1,413,998	1,344,317	69,681	5.2
Simulcasting	9,843	9,867	(24)	(0.2)
Total Table & Other Games	1,423,841	1,354,184	69,657	5.1
<i>Slot Machines</i>				
.01 and .02 Slot Machines	568,016	313,611	254,405	81.1
.05 Slot Machines	679,415	841,318	(161,903)	(19.2)
.25 Slot Machines	980,245	1,170,538	(190,293)	(16.3)
.50 Slot Machines	140,561	175,929	(35,368)	(20.1)
1.00 Slot Machines	561,136	579,785	(18,649)	(3.2)
5.00 Slot Machines	187,197	207,071	(19,874)	(9.6)
Multi-Denominational Machines	536,835	228,086	308,749	N/A
Other Slot Machines (b)	150,212	157,621	(7,409)	(4.7)
Total Slot Machines	3,803,617	3,673,959	129,658	3.5
<i>Grand Total</i>	<u>\$5,227,458</u>	<u>\$5,028,143</u>	<u>199,315</u>	4.0

(a) Other games reflect Big Six, Minibaccarat, Sic Bo, Pai Gow Poker, Pai Gow, Keno, Caribbean Stud Poker, Let It Ride Poker, Spanish 21, Three Card Poker, Boston 5 Stud Poker, Four Card Poker, Double Cross Poker, Double Attack Blackjack, Texas Hold'Em Bonus Poker, Flop Poker, Two Card Royal, Hawaii Hi-Lo, Two Card Joker Poker, Asia Poker and Caribbean Draw Poker.

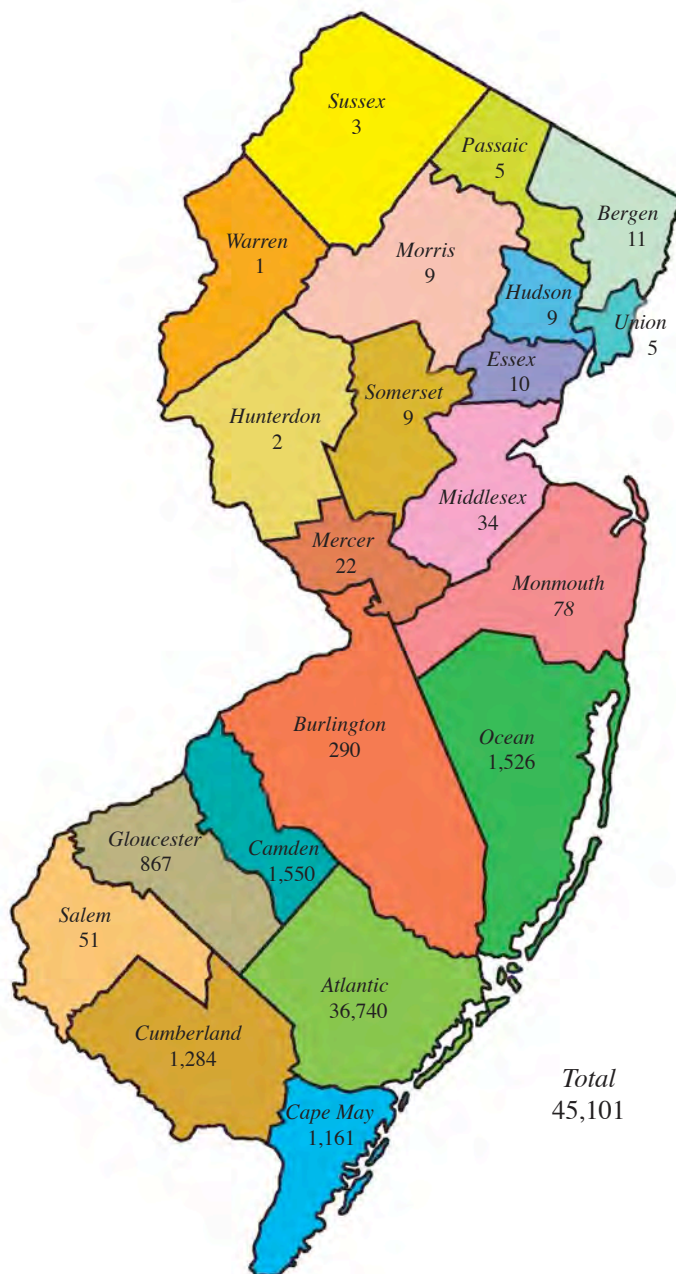
(b) Other slot machines include \$25, \$100 and other denomination slot machines.

**EMPLOYMENT BY ATLANTIC CITY
CASINO LICENSEES BY COUNTY**
FOR THE YEAR ENDED DECEMBER 31, 2006

Approximately 602 casino hotel employees are not represented in these figures. The difference is due to individuals living outside the State of New Jersey, or incomplete/missing information from the casino industry during the transfer of employment information to the Commission. The incomplete zip code information does not allow for determination of NJ county. In addition, these figures incorporate employment information taken from the Sands Hotel Casino as of October 31, 2006.

The Sands ceased operations on

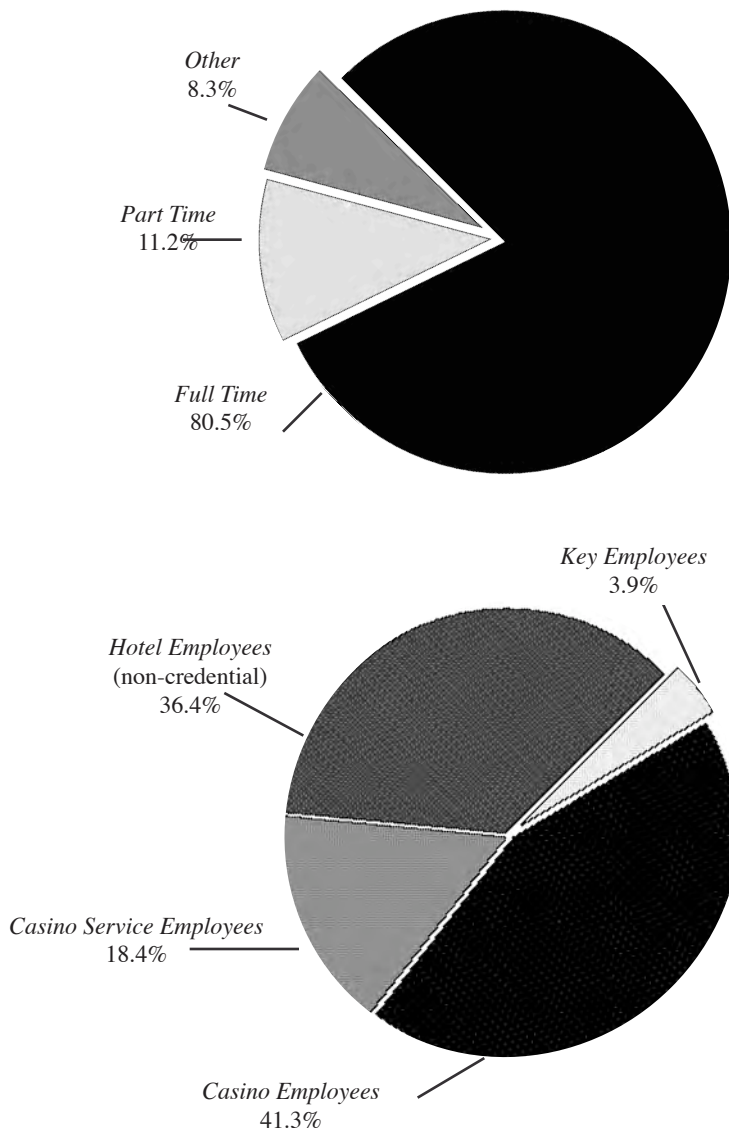
November 10, 2006.



NEW JERSEY CASINO INDUSTRY BY TYPE OF EMPLOYMENT

FOR THE YEAR ENDED DECEMBER 31, 2006*

*The difference between the Employment by License Category total of 43,677 and the total New Jersey Casino Employment total of 44,269 found elsewhere is 602. The difference is due to incomplete or missing information from the casino industry during the transfer of employment information to the Commission. The incomplete information does not allow for determination of license category. In addition, these figures incorporate employment information taken from the Sands Hotel Casino from October 31, 2006. The Sands ceased operations on November 10, 2006



EMPLOYEE LICENSE AND REGISTRATION APPLICATIONS ACCEPTED AND ISSUED
 FOR THE YEAR ENDED DECEMBER 31, 2006

Casino Key Employees:

Applications Filed	224
Licenses Issued	191

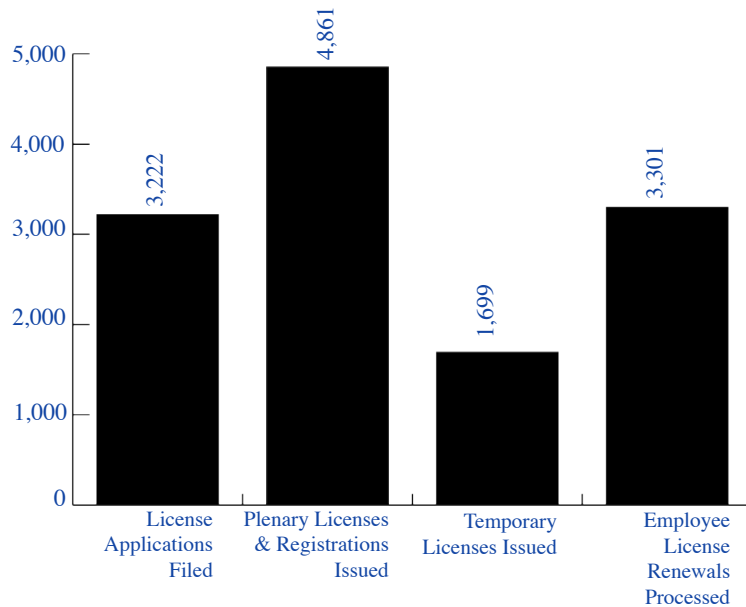
Casino Employees:

Applications Filed	2,998
Licenses Issued	2,682

Casino Service Employees:

Registrations Issued	1,988
----------------------	-------

TOTAL EMPLOYEE LICENSE AND REGISTRATION APPLICATIONS ACCEPTED AND ISSUED
 FOR THE YEAR ENDED DECEMBER 31, 2006



**TOTAL VOLUME OF BUSINESS -- NEW JERSEY COMPANIES
CALENDAR YEAR 2006**

	Total Companies	Percent of Total Companies	Dollar Volume of Business	Percent of Total Business
<i>New Jersey Enterprises</i>	2,331	100.00%	\$2,158,405,006	100.000%
Atlantic	1,119	48.01%	\$1,385,658,089	64.198%
Bergen	97	4.16%	\$14,693,571	0.681%
Burlington	150	6.44%	\$73,094,437	3.387%
Camden	191	8.19%	\$141,811,726	6.570%
Cape May	65	2.79%	\$6,782,818	0.314%
Cumberland	64	2.75%	\$38,627,666	1.790%
Essex	63	2.70%	\$56,667,643	2.625%
Gloucester	88	3.78%	\$90,947,835	4.214%
Hudson	30	1.29%	\$21,785,413	1.009%
Hunterdon	5	0.21%	\$1,761,301	0.082%
Mercer	58	2.49%	\$24,777,790	1.148%
Middlesex	84	3.60%	\$231,478,602	10.725%
Monmouth	82	3.52%	\$12,084,541	0.560%
Morris	40	1.72%	\$2,855,102	0.132%
Ocean	68	2.92%	\$17,000,648	0.788%
Passaic	33	1.42%	\$2,680,810	0.124%
Salem	7	0.30%	\$23,838,473	1.104%
Somerset	27	1.16%	\$3,629,726	0.168%
Sussex	2	0.09%	\$65,756	0.003%
Union	56	2.40%	\$8,117,340	0.376%
Warren	2	0.09%	\$45,719	0.002%

**TOTAL VOLUME OF BUSINESS -- CASINO SERVICE INDUSTRY
CALENDAR YEAR 2006**

	Total Companies	Percent of Total Companies	Dollar Volume of Business*	Percent of Total Business
<i>Total Number of Vendors Receiving Payments</i>	6,085	100.00%	\$3,513,499,561 **	100.00%
New Jersey Enterprises	2,331	38.31%	\$2,158,405,006	61.43%
Pennsylvania Enterprises	673	11.06%	\$181,818,705	5.17%
New York Enterprises	732	12.03%	\$125,561,288	3.57%
Delaware Enterprises	27	0.44%	\$4,683,465	0.13%
All Other States	2,236	36.75%	\$1,032,365,601	29.38%
Foreign Enterprises	86	1.41%	\$10,665,496	0.30%

* "Dollar Volume of Business" represents only those monies paid by casino licensees for goods or services. This figure does not include such payments as governmental taxes, fines and fees to the Casino Control Commission, charitable contributions, guest losses or court garnishments.

** This dollar figure includes disbursements to subcontractors made pursuant to N.J.A.C. 19:43-10.6(a)5.

Numbers reflect the states in which the offices serving hotel/casinos are located and may not be the states in which the enterprises are incorporated or have a home office.

ENTERPRISE REGISTRATION AND LICENSING STATISTICS

January 1, 2006 through December 31, 2006

Registration and Licensing Processing Statistics

Vendor registrations processed	2978
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Enterprises Prohibited from Conducting Business with Casino Licensees	49*
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Exemptions From Licensure Granted By CCC	9
---	---

Initial Casino Service Industry Licenses

Gaming Related :

Applications Filed	5
Licenses Issued	8
Licenses Denied	0
Withdrawals Granted	1

Non-Gaming Related :

Applications Filed	187
Licenses Issued	142
Licenses Denied	12
Withdrawals Granted	25

Junket Enterprises :

Applications Filed	4
Licenses Issued	2
Licenses Denied	0
Withdrawals Granted	2

Renewal Casino Service Industry Licenses

Gaming Related :

Applications Filed	12
Licenses Issued	4
Licenses Denied	0
Withdrawals Granted	1

ENTERPRISE REGISTRATION AND LICENSING STATISTICS

January 1, 2006 through December 31, 2006

Renewal Casino Service Industry Licenses, cont.

Non-Gaming Related :

Applications Filed	155
Licenses Issued	149
Licenses Denied	2
Withdrawals Granted	6

Junket Enterprises :

Applications Filed	10
Licenses Issued	8
Licenses Denied	0
Withdrawals Granted	0

Registration and Licensing Status Totals

Universe of Active Vendors	10285
Universe of Prohibited Vendors	634
Gaming Schools Currently Licensed	0
Labor Organizations Currently Registered	7

Licensed Casino Service Industry Enterprises:

Initial Licensees :

Gaming	24
Nongaming	668
Junket	17

Renewal Licensees :

Gaming	29
Nongaming	535
Junket	38

* This figure includes enterprises prohibited for the following reasons: denial of a casino service industry license, failure to file a casino service industry license application, withdrawal of a casino service industry license, and nonfiling of a required vendor registration form.

2006 New Jersey Casino Control Commission Annual Report

THE NEW JERSEY CASINO INDUSTRY FACILITY STATISTICS AT DECEMBER 31, 2006 AND 2005

	AC HILTON		BALLY'S AC		BORGATA		CAESARS		HARRAH'S		RESORTS		SANDS (f)		SHOWBOAT		TROPICANA		TRUMP MARINA		TRUMP PLAZA		TRUMP TAJ MAHAL		INDUSTRY TOTALS	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
TABLE GAMES:																										
Blackjack	49	41	68	73	84	54	51	41	38	35	37	37	-	36	42	32	73	82	31	30	45	34	62	55	580	550
Craps	8	8	11	13	13	12	13	13	6	6	6	6	-	4	5	6	11	9	6	7	5	6	11	11	95	101
Roulette	8	9	23	24	20	17	14	12	10	10	10	10	-	9	9	8	20	16	6	7	8	8	13	13	141	143
Big Six	1	1	2	2	1	1	1	1	1	1	1	1	-	2	1	1	2	1	-	1	-	1	1	1	10	14
Baccarat	1	1	2	2	2	3	2	1	-	-	3	4	-	2	1	1	2	2	3	3	2	2	2	4	20	25
MiniBaccarat	9	10	12	11	8	5	11	8	1	1	8	4	-	4	9	3	5	5	3	2	8	8	9	6	83	67
Sic Bo	-	-	1	1	-	-	1	1	-	-	-	-	-	-	-	-	1	-	-	-	-	1	1	1	4	4
Pai Gow Poker	6	4	9	10	6	5	4	3	1	1	1	1	-	2	2	2	6	2	2	2	3	5	5	7	45	44
Pai Gow	5	3	3	3	2	2	5	3	-	-	1	1	-	2	2	2	2	6	1	1	3	3	6	4	30	30
Poker	19	21	30	30	85	34	24	24	24	24	8	6	-	14	24	25	48	48	-	-	-	-	71	76	333	302
Caribbean Stud Poker	2	2	2	6	-	3	3	3	2	3	1	1	-	1	1	1	3	3	2	2	-	2	2	2	18	29
Let It Ride Poker	2	3	4	7	4	4	3	3	4	4	2	2	-	3	3	3	3	3	3	3	2	3	3	3	33	41
Spanish 21	1	1	9	10	4	4	7	6	1	1	3	2	-	2	2	2	5	2	2	3	3	2	4	4	41	39
Three Card Poker	8	8	15	15	16	12	11	9	12	12	7	7	-	8	7	8	16	12	7	7	8	7	10	9	117	114
Boston 5 Stud Poker	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2	-	-	-	-	-	-	2	2
Four Card Poker	2	2	7	7	5	5	4	4	3	3	1	2	-	-	1	1	4	2	2	2	2	1	2	4	33	33
Double Attack Blackjack	1	-	-	-	-	-	1	1	1	1	1	1	-	-	2	1	1	-	1	1	-	1	1	1	9	6
Texas Hold'Em Bonus Poker (a)	1	2	8	8	8	6	4	3	4	4	1	2	-	4	2	2	6	3	3	4	2	3	2	4	41	45
Flip Poker (b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Two Card Joker Poker(c)	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
Asia Poker (d)	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-
Caribbean Draw Poker (e)	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-
Total Table Games	123	116	206	222	263	167	159	136	108	105	91	87	0	93	113	98	210	198	73	76	91	87	205	205	1,642	1,590
KENO WINDOWS																										
	-	-	4	4	-	-	6	6	4	4	-	-	-	-	-	-	-	-	-	-	-	-	2	2	16	16
SLOT MACHINES:																										
\$.01 and .02 Slot Machines	331	312	936	749	398	206	567	411	371	254	315	210	-	122	589	398	602	410	312	167	379	250	448	244	5,248	3,733
\$.05 Slot Machines	409	474	996	1,047	1,427	1,221	464	553	578	567	283	515	-	412	404	643	649	771	500	703	455	597	573	742	6,747	8,245
\$.25 Slot Machines	725	843	2,221	2,597	1,088	1,117	971	1,388	1,165	1,655	678	1,072	-	1,000	866	1,738	813	1,462	582	815	770	950	1,476	1,975	11,355	16,612
\$.50 Slot Machines	145	154	279	352	172	176	177	228	74	226	83	117	-	62	68	137	50	159	75	80	131	169	203	325	1,457	2,185
\$1 Slot Machines	314	295	574	602	377	404	447	386	534	569	184	240	-	225	301	418	349	518	307	342	277	317	522	678	4,186	4,994
\$5 Slot Machines	83	91	137	144	83	83	101	104	96	109	78	76	-	56	30	63	68	95	59	75	66	68	105	137	906	1,101
\$25 Slot Machines	13	12	22	21	16	16	15	14	17	16	9	9	-	12	3	6	15	16	10	11	12	12	14	13	146	158
\$100 Slot Machines	17	12	12	12	12	12	18	18	10	10	9	8	-	6	3	4	12	12	5	6	5	6	14	14	117	120
Multi-Denominational Slot Machines	155	-	155	-	423	280	328	462	820	449	1,034	590	-	230	1,142	435	1,281	802	130	124	123	72	366	86	5,957	3,530
Other Slot Machines	35	29	53	56	72	57	74	74	43	65	27	21	-	28	4	16	49	73	34	33	63	46	47	55	501	553
Total Slot Machines	2,227	2,222	5,385	5,580	4,068	3,572	3,162	3,638	3,708	3,920	2,700	2,858	0	2,153	3,410	3,858	3,888	4,318	2,023	2,356	2,281	2,487	3,768	4,269	36,620	41,231
Casino Square Footage																										
	69,422	67,494	178,815	177,819	136,794	116,302	110,895	109,685	147,077	142,089	81,964	83,170	-	56,994	120,062	122,210	138,868	142,301	64,271	65,489	95,582	95,708	112,922	119,429	1,256,672	1,298,690
Simulcast Square Footage	-	-	47,937	47,937	23,620	7,951	29,116	23,981	-	-	16,396	16,959	-	22,808	20,062	16,299	8,380	8,380	14,670	14,601	-	-	48,246	39,157	208,427	198,073
Number Of Hotel Rooms	809	805	1,745	1,745	1,971	1,982	1,139	1,140	1,630	1,630	879	879	-	620	1,331	1,309	2,129	2,129	728	728	906	906	1,250	1,250	14,517	15,123
Number of Parking Spaces	1,971	1,971	3,934	4,086	5,510	4,741	5,324	5,403	3,732	3,732	1,337	1,337	-	1,684	3,499	3,499	5,477	5,477	2,986	2,986	2,618	2,658	6,544	7,180	42,932	44,754
Property & Equipment, Gross (\$ Millions)	\$ 373.4	\$ 394.3	\$ 721.0	\$ 681.4	\$ 1,390.9	\$ 1,149.4	\$ 694.2	\$ 660.3	\$ 1,029.3	\$ 865.2	\$ 319.3	\$ 310.0	-	\$ 222.8	\$ 739.7	\$ 729.3	\$ 1,136.0	\$ 1,116.6	\$ 367.8	\$ 340.5	\$ 405.2	\$ 368.5	\$ 855.7	\$ 786.2	\$ 8,041.5	\$ 7,624.5
Number of Employees	2,886	2,880	5,654	6,127	7,071	5,937	4,182	3,943	3,355	2,945	2,855	2,926	-	1,963	2,849	2,748	4,507	5,142	2,186	2,395	2,621	2,850	4,290	4,686	42,456	44,542

(a) Texas Hold'Em Bonus Poker commenced operations in March 2005.

(b) Flip Poker commenced operations in September 2005.

(c) Two Card Joker Poker commenced operations in February 2006.

(d) Asia Poker commenced operations in July 2006.

(e) Caribbean Draw Poker commenced operations in December 2006.

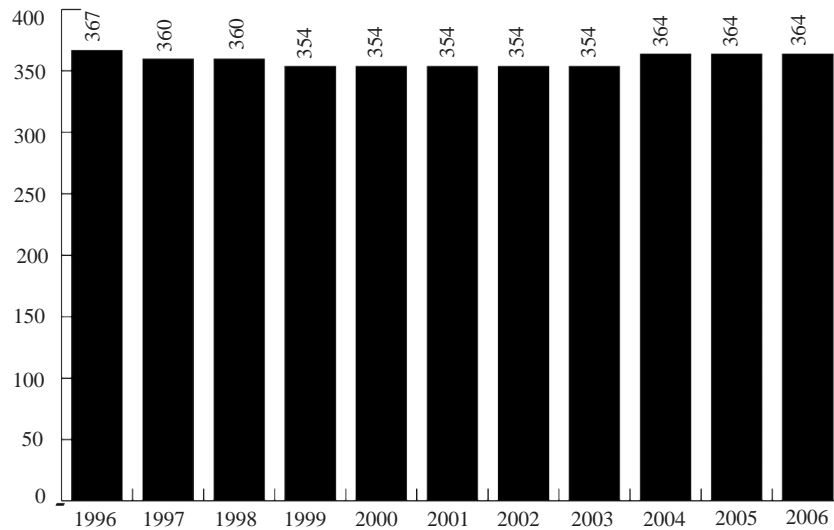
(f) Sands ceased operations on November 10, 2006.

**THE NEW JERSEY CASINO INDUSTRY
SALARIES AND WAGES
FOR THE FOUR YEARS ENDED DECEMBER 31, 2006
(\$ IN THOUSANDS)**

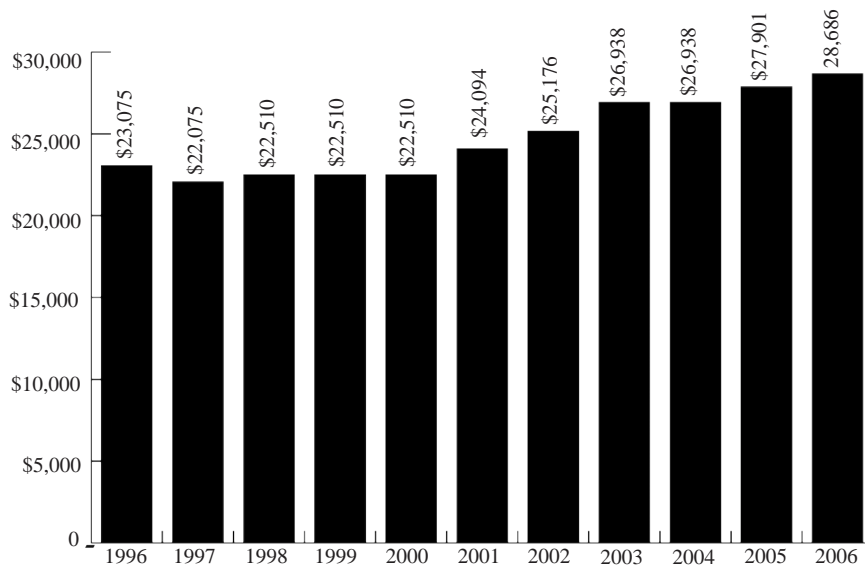
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
AC Hilton	\$ 67,602	\$ 78,007	\$ 81,847	\$ 84,243
Bally's Atlantic City	155,798	159,152	174,982	181,890
Borgata	144,573	128,292	120,929	61,627
Caesars	105,107	101,472	105,313	110,748
Harrah's Marina	84,116	80,115	78,610	82,635
Resorts	67,548	67,226	69,742	69,171
Sands (a)	53,233	51,074	51,696	55,102
Showboat	76,315	75,498	74,195	80,252
Tropicana	100,394	106,624	95,689	94,600
Trump Marina	63,826	66,005	69,207	73,737
Trump Plaza	75,728	76,262	78,089	82,595
Trump Taj Mahal	<u>117,915</u>	<u>121,316</u>	<u>123,973</u>	<u>130,100</u>
Industry Totals	<u><u>\$1,112,155</u></u>	<u><u>\$1,111,043</u></u>	<u><u>\$1,124,272</u></u>	<u><u>\$1,106,700</u></u>

(a) Sands ceased operations on November 10, 2006.

**NEW JERSEY CASINO CONTROL COMMISSION NUMBER OF AUTHORIZED
EMPLOYEE POSITIONS** *FOR THE FISCAL YEARS ENDED JUNE 30*



NEW JERSEY CASINO CONTROL COMMISSION BUDGET APPROPRIATIONS *FOR THE FISCAL YEARS ENDED JUNE 30*



CASINO REVENUE FUND

FOR THE FISCAL YEAR ENDED 2006

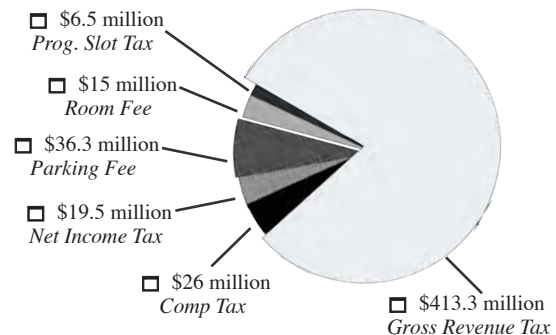
New Jersey casinos pay the state 8% tax on their gross revenues appropriated to the Casino Revenue Fund for the benefit of the aged and disabled citizens of the State of New Jersey. Gross gaming revenue is the amount casinos win from gamblers after all payouts have been made.

The Casino Control Commission collects a variety of different taxes from casinos and deposits the money in the Casino Revenue Fund. Funding is generated through six casino related taxes. The largest is an 8 percent tax on casino gross revenues and can only be spent on programs that benefit New Jersey State seniors and people with disabilities.

The responsibility for administering these taxes was transferred by the State Legislature from the Division of Taxation to the Commission.

- ❑ Gross Revenue Tax includes audit assessments, penalties, interest and other adjustments.
- ❑ Casino Complimentary Tax imposes a 4.25% tax upon casino licensees on the value of complimentary rooms, food, beverage, and entertainment granted to patrons. The tax expires on June 30, 2009.
- ❑ Casino Net Income Tax imposes a 7.5% tax on the adjusted net income of casino licensees. The tax expired on June 30, 2006.
- ❑ Casino Parking Fee requires casinos to remit a fee of \$3.00 per day for any parking space in use in their facility. In FY 06, one-half of the parking fee revenue was deposited into the Casino Revenue Fund, with the remaining half forwarded to the Casino Reinvestment Development Authority (CRDA) for statutory restricted projects. Beginning in FY 07, \$2.50 goes to CRDA and \$.50 goes to the Casino Revenue Fund.
- ❑ Casino Room Fee requires casinos to remit \$3.00 per day for each hotel room occupied by a guest. Beginning in FY 07, \$1 goes to CRDA and \$2 goes to the Casino Revenue Fund.
- ❑ Multi-Casino Progressive Slot Tax assesses an 8% tax on casino service industry multi-casino progressive slot revenue. The forecasted amounts assume the same growth rate as the Gross Revenue Tax.

❑ **517 million**
Total deposited into Casino Revenue Fund for FY 2006



Casinos have paid more than **\$7 billion** in taxes to the Casino Revenue Fund since 1978.

INDEPENDENT AUDITOR'S REPORT

LEGISLATIVE SERVICES COMMISSION

ASSEMBLYMAN
JOSEPH J. ROBERTS, JR.
Chairman

SENATOR
LEONARD LANCE
Vice-Chairman

SENATE

ANTHONY R. BUCCO
RICHARD J. CODEY
NIA H. GILL
BERNARD F. KENNY, JR.
RAYMOND J. LESNIAK
ROBERT E. LITTELL
ROBERT W. SINGER

GENERAL ASSEMBLY

CHRISTOPHER "KIP" BATEMAN
PETER J. BIONDI
FRANCIS J. BLEE
JOHN J. BURZICHELLI
ALEX DE-CROCE
JOAN M. QUIGLEY
BONNIE WATSON COLEMAN



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

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RICHARD L. FAIR
State Auditor

STEPHEN M. ELLIS
Assistant State Auditor

THOMAS R. MESEROLL
Assistant State Auditor

The Honorable Jon S. Corzine
Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Joseph J. Roberts, Jr.
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of the State of New Jersey Casino Control Fund as listed in the accompanying table of contents as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


As discussed in Note 1, the financial statements present only the Casino Control Fund and do not purport to, and do not, present fairly the financial position of the State of New Jersey as of June 30, 2006 and 2005, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Casino Control Fund as of June 30, 2006 and 2005 and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2007 on our consideration of the Casino Control Fund management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The expenditure detail schedule is presented for the purpose of additional analysis and is not a required part of the Casino Control Fund financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Casino Control Fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Richard L. Fair
State Auditor
March 16, 2007

**STATE OF NEW JERSEY
CASINO CONTROL FUND
BALANCE SHEET
JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 51,000	\$ 51,000
Accounts Receivable	5,174,045	2,029,574
Less: Allowance for Doubtful Accounts	<u>111,319</u>	<u>92,347</u>
Net Accounts Receivable	5,062,726	1,937,227
Due from General Fund	<u>6,591,216</u>	<u>14,113,152</u>
Total Assets	<u>\$11,704,942</u>	<u>\$16,101,379</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts Payable	\$ 5,218,521	\$ 5,945,930
Deferred Revenue	<u>6,410,500</u>	<u>6,102,839</u>
Total Liabilities	<u>11,629,021</u>	<u>12,048,769</u>
Fund Balances		
Reserved for:		
Encumbrances	846,272	1,890,601
Unreserved:		
Designated for Continuing Appropriation	875,338	872,961
Undesignated	<u>(1,645,689)</u>	<u>1,289,048</u>
Total Fund Balances	<u>75,921</u>	<u>4,052,610</u>
Total Liabilities and Fund Balances	<u>\$11,704,942</u>	<u>\$ 16,101,379</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Casinos		
Licenses - Casino	\$ 45,372,368	\$ 45,120,161
- Slot Machine	21,089,120	21,214,916
- Alcoholic Beverage	137,620	177,911
Assessments	---	---
	<u>66,599,108</u>	<u>66,512,988</u>
Credits - Prior Year Fund Balance	<u>(4,052,610)</u>	<u>(8,020,970)</u>
Total from Casinos	<u>62,546,498</u>	<u>58,492,018</u>
Other Sources		
Licenses - Casino Employees	2,474,584	2,816,598
- Casino Service Industry	976,788	1,196,079
Equipment Prototype Testing	1,553,399	1,405,055
Other Revenues	<u>98,218</u>	<u>141,328</u>
Total from Other Sources	<u>5,102,989</u>	<u>5,559,060</u>
Investment Earnings	<u>400,263</u>	<u>310,088</u>
Total Revenues	<u>68,049,750</u>	<u>64,361,166</u>
<u>EXPENDITURES</u>		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	42,800,990	40,345,112
Government Direction, Management and Control (Casino Control Commission)	<u>29,225,449</u>	<u>27,984,414</u>
Total Expenditures	<u>72,026,439</u>	<u>68,329,526</u>
Net Increase (Decrease) in Fund Balance for the Year	(3,976,689)	(3,968,360)
Fund Balance - Beginning	<u>4,052,610</u>	<u>8,020,970</u>
Fund Balance - Ending	<u>\$ 75,921</u>	<u>\$ 4,052,610</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW JERSEY
CASINO CONTROL FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

The Casino Control Commission and the Division of Gaming Enforcement are agencies of the State of New Jersey. N.J.S.A. 5:12-143 established the Casino Control Fund to account for the financial transactions of these agencies.

C. Fund Level Financial Statements

The State of New Jersey issues government-wide financial statements that report information for all of the non-fiduciary activities of the State including that of the Casino Control Fund. Due to the legislative mandate that the Casino Control Fund be financed exclusively by licensing fees assessed upon the casino industry, a Fund Level Financial Statement is prepared for the Casino Control Fund.

A Fund Level Financial Statement includes a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

D. Measurement Focus and Basis of Accounting

The Casino Control Fund statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are included on the balance sheet. The operating statement for the fund presents increases and decreases in total fund balances.

In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues susceptible to accrual would include casino license fees.

Expenditures are recognized when the related fund liabilities are incurred. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.

E. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which represents the fund's assets, liabilities, equity, revenues, and expenditures or expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

Governmental Fund Type - Special Revenue Fund

The Casino Control Fund is a governmental fund type - Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, private purpose trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

The Casino Control Fund (N.J.S.A. 5:12-143) accounts for fees from the issuance and renewal of casino licenses and other license fees. Appropriations are made to the Casino Control Fund to finance the operations of the Casino Control Commission and the Division of Gaming Enforcement.

F. Budgetary Process

An annual budget is adopted for the Casino Control Fund. The Legislature enacts the budget through passage of a specific appropriation, the sum of which may not exceed estimated revenues. The annual appropriations act for fiscal year 2006 authorized \$70,159,017 which consists of an original appropriation of \$69,285,000 and other authorized appropriations of \$874,017. Budgetary control is maintained at the program unit level.

During the year, the spending authority delineated in the appropriations act may be revised for supplemental appropriations approved by both the Legislature and the Governor. For fiscal year 2006, the Division of Gaming Enforcement was granted an additional appropriation of \$2,000,000.

A Budgetary Comparison Schedule for the fiscal year ended June 30, 2006 is presented as required supplementary information to these statements.

This statement presents a comparison of the final budget adopted for the Casino Control Fund with actual data on a budgetary basis.

The State's budgetary basis of accounting differs from that utilized to present financial statements in conformity with generally accepted accounting principles (GAAP). The main differences between the budgetary basis and the GAAP basis are that under the budgetary basis encumbrances are recognized as expenditures, and the budgetary basis reflects transactions only for the current fiscal year appropriation.

There were no expenditures in excess of appropriations in the Casino Control Fund.

G. Fund Balances

The fund balances of the Casino Control Fund consist of the following:

- 1) Reserved for Encumbrances - Used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
- 2) Reserved - Other - Used to segregate a portion of the fund balance to provide for anticipated expenditures in future fiscal years.
- 3) Unreserved - Designated for Continuing Appropriations - Used to represent that portion of fund balance which has been appropriated by the Legislature.
- 4) Unreserved - Undesignated - Used to represent that portion of fund balance resources available for appropriation.

H. Other

Other significant accounting policies are described in Notes 2 to 10.

NOTE 2 - Cash

Represents a \$500 petty cash fund maintained by each agency and a \$50,000 confidential fund maintained by the Division of Gaming Enforcement.

NOTE 3 - Accounts Receivable

Represents amounts due from casinos and related entities. Net receivables are substantially collected within three months.

Allowance for doubtful accounts represents one hundred percent of non-

current receivables.

NOTE 4 - Due From General Fund

Cash transactions of the Casino Control Fund are made by and through the General Fund cash accounts. The balance of cash for this fund held in the General Fund, after receipt and disbursement transactions, is accounted for and reflected in the Due From account on the Balance Sheet.

NOTE 5 - Capital Assets

Capital Assets acquired with fund resources are recorded as expenditures of the fund at the time of acquisition. Assets greater than \$20,000 are also recorded in the State's government-wide financial statements. Capital assets are depreciated using the straight line method, with one half of the year's depreciation charged in the year of acquisition and in the year of disposal. The State assigned estimated useful life for machinery and equipment is 5-15 years. A summary of these capital assets and related accumulated depreciation for the year ended June 30, 2006 follows:

<u>Program</u>	<u>Asset</u>	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Accum. Depreciation</u>	<u>Net Capital Assets</u>
Government Direction, Management and Control	Machinery & Equipment	\$359,514	---	---	\$202,494	\$157,020
Public Safety and Criminal Justice	Machinery & Equipment	\$853,592	---	\$75,008	\$565,296	\$213,288

NOTE 6 - Deferred Revenue

Deferred Revenue represents fiscal year 2007 and fiscal year 2006 slot machine license billings collected and recorded in June 2006 and 2005, respectively.

NOTE 7 - Fund Balance

The positive fund balance as of June 30, 2006 and June 30, 2005 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) the balance at June 30, 2006 will be credited to casino licensees during fiscal year 2007 in proportion to the relative amount of total fees incurred or paid by each casino licensee with respect to the fiscal year ended June 30, 2006. The balance at June 30, 2005 was credited in the same manner to casino licensees during fiscal year 2006.

NOTE 8 - Employee Benefit Costs

Fringe benefit costs which include pension, health benefits, payroll taxes, and amounts for unused sick leave are originally paid by the General Fund and are charged to the Casino Control Fund using a composite fringe benefit rate.

Cash payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on fifty percent of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from state service prior to retirement are not entitled to payments for accumulated sick leave balances. Sick leave accumulations may also be used by an employee for a personal illness or injury as a means of continuing regular pay. The liability for accumulated employee sick leave balances as of June 30, 2006 and June 30, 2005 of approximately \$3.9 million and \$3.7 million, respectively, is reflected as a non-current liability on the State's government-wide financial statements and is not accrued in these financial statements.

Employees annually earn 12 to 25 vacation days based on years of service and are permitted to carry over those days earned within a one-year period. The liability for accumulated vacation pay as of June 30, 2006 and June 30, 2005 of approximately \$1.4 million and \$1.3 million, respectively, is reflected as a non-current liability on the State's government-wide financial statements and is not accrued in these financial statements.

NOTE 9 - Interest

The General Fund charges interest to the Casino Control Fund when disbursements exceed receipts collected and credits interest to the Casino Control Fund when receipts collected exceed disbursements made. The interest rate used during fiscal year 2006 and fiscal year 2005 was equal to the effective rate of return on investments in the General Fund and varied from 3.08% to 4.88% in fiscal year 2006 and from 1.24% to 3.02% in fiscal year 2005. The net effect of these transactions is reflected in the Investment Earnings account on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 10 - Contingent Liability

As of the issuance date of these statements, the Casino Control Fund is not involved in any legal actions wherein there is potential for unanticipated expenditure. Should any legal actions subsequently materialize, N.J.A.C. 19:41-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW JERSEY
CASINO CONTROL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget</u>
REVENUES				
Casinos				
Licenses - Casino	\$38,084,076	\$44,618,076	\$41,319,758	\$(3,298,318)
- Slot Machine	20,719,000	20,719,000	21,089,120	370,120
- Alcoholic Beverage	160,811	160,811	137,620	(23,191)
Assessments	---	---	---	---
Total from Casinos	<u>58,963,887</u>	<u>65,497,887</u>	<u>62,546,498</u>	<u>(2,951,389)</u>
Other Sources				
Licenses - Casino Employees	2,840,450	2,840,450	2,474,584	(365,866)
- Casino Service Industry	665,500	665,500	976,788	311,288
Equipment Prototype Testing	1,300,000	1,300,000	1,553,399	253,399
Other Revenues	<u>116,180</u>	<u>116,180</u>	<u>98,218</u>	<u>(17,962)</u>
Total from Other Sources	<u>4,922,130</u>	<u>4,922,130</u>	<u>5,102,989</u>	<u>180,859</u>
Investment Earnings	<u>300,000</u>	<u>450,000</u>	<u>400,263</u>	<u>(49,737)</u>
Total Revenues	<u>64,186,017</u>	<u>70,870,017</u>	<u>68,049,750</u>	<u>(2,820,267)</u>
EXPENDITURES				
Public Safety and Criminal Justice				
(Division of Gaming Enforcement)	40,660,864	42,660,864	42,346,363	314,501
Government Direction, Management and Control				
(Casino Control Commission)	<u>29,498,153</u>	<u>29,498,153</u>	<u>28,769,521</u>	<u>728,632</u>
Total Expenditures	<u>70,159,017</u>	<u>72,159,017</u>	<u>71,115,884</u>	<u>1,043,133</u>
Net Change in Fund Balance	(5,973,000)	(1,289,000)	(3,066,134)	(3,066,134)
FUND BALANCE - JULY 1, 2005	<u>5,973,000</u>	<u>1,289,048</u>	<u>1,289,048</u>	---
FUND BALANCE - JUNE 30, 2006	<u>\$ ---</u>	<u>\$ 48</u>	<u>\$(1,777,086)</u>	<u>\$(1,777,134)</u>

**STATE OF NEW JERSEY
CASINO CONTROL FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Budgetary Basis - Net Decrease in Fund Balances **\$ (3,066,134)**

Differences - Budget to GAAP

Encumbrances for items ordered but not received are reported in the year the resources are encumbered for budgetary purposes, but in the year the items were received for GAAP purposes. \$ 453,880

Expenditures in prior fiscal year accounts are reported in the year the resources are encumbered for budgetary purposes, but in the year the funds are disbursed for GAAP purposes. (1,364,435)

Total Differences - Budget to GAAP (910,556)

GAAP Basis - Net Decrease In Fund Balances **\$ (3,976,689)**

SUPPLEMENTARY INFORMATION

**STATE OF NEW JERSEY
CASINO CONTROL FUND
EXPENDITURE DETAIL
FISCAL YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		2005	
	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL
EXPENDITURES:				
Salaries	\$ 27,507,300	\$ 19,765,170	\$ 26,382,772	\$ 18,967,842
Payroll Taxes and Employee Benefits	8,611,167	6,420,181	8,052,376	6,252,352
Printing and Office Supplies	151,414	167,498	160,057	206,112
Vehicular Supplies	267,129	---	179,502	---
Travel	243,717	31,426	191,992	36,733
Telephone	322,514	200,479	308,079	192,304
Data Processing	510,253	808,572	437,966	714,773
Professional Services	115,568	104,863	279,545	50,795
Other Services Other Than Personal	647,532	163,357	636,217	142,521
Rent-Facilities	2,052,071	1,302,846	1,999,856	1,113,057
Rent-Automobiles and Other	85,985	158,972	88,732	126,152
Indirect Costs	1,717,823	15,242	957,793	55,773
Office Equipment	14,338	32,402	50,327	22,966
Vehicular Equipment	214,752	---	256,583	52,038
Other Equipment	<u>339,427</u>	<u>54,441</u>	<u>363,315</u>	<u>50,996</u>
TOTAL EXPENDITURES	<u>\$ 42,800,990</u>	<u>\$ 29,225,449</u>	<u>\$ 40,345,112</u>	<u>\$ 27,984,414</u>

2006 ANNUAL REPORT



Jon S. Corzine,
Governor

*New Jersey Casino
Control Commission*

Linda M. Kassekert
Chair

Michael A. Fedorko
Vice Chair

Michael C. Epps
Ralph G. Frulio
William T. Sommeling
Commissioners

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